

1/23/77

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Note	Hutcheson to Jordan, w/attachments, 9 pp. Re: Executive Branch Appointments	1/24/77	C

FILE LOCATION

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

January 22, 1977

EXECUTIVE - 1
PR16
PR4-1
249-2
VA

MEMORANDUM

TO : President Carter

FROM: Jody Powell

RE : AP-UPI Interview Sunday Afternoon 3:00 P.M.

The reporters will be Frank Cormier and Helen Thomas with the possible addition of Larry Knutson and Wes Pippert.

You need one or two hard items, such as the limo and veterans job stories attached.

Beyond that, the interview should focus on your reaction to your first days in office. It is an opportunity to score some political points -- your determination to live up to your campaign promises and not to become enmeshed in the trappings of the office -- you can tick off the issues that Caddell found to be uppermost in peoples' minds as those you plan to move on or have already begun to work on.

- 1) Jobs and the economy
 - 2) Welfare reform (Joe Califano has announcement on this coming early next week)
 - 3) Tax reform
- C

*get
Filer*

10 Copy

EXECUTIVE

(1)

THE WHITE HOUSE
WASHINGTON

*FG 10
PR 7-1*

January 21, 1977

MEMORANDUM FOR: JACK WATSON
FROM: TIM SMITH
DEPUTY APPOINTMENTS SECRETARY
SUBJECT: Swearing-in Ceremony for the Cabinet

Our calendar for the President shows that there will be a swearing-in ceremony for the Cabinet on Sunday, January 23, at 2:00 P.M.

I presume that all of the details for this event have been coordinated by you, including clearance of guests, Presidential remarks, briefing papers, etc.

I would appreciate having a call from you before the end of the day confirming this.

Thank you very much.

cc: Tim Kraft

PROCESSED

THE WHITE HOUSE
WASHINGTON

JINT LOVES Jimmy

Tim - ^{a)} We go to S. School
at 10:00 a.m. on Sundays

b) Don't send me so many
folders & envelopes. Just
for classified material.

J

THE WHITE HOUSE
WASHINGTON

Put
For
Nell

THE PRESIDENT'S SCHEDULE

Sunday - January 23, 1977

*Tim
not adequate
J*

8:15

Vice President Walter F. Mondale.
The Diplomatic Reception Room. **

*↑
details?*

*S. School ?
Church ?*

2:00

Swearing In Ceremony for Confirmed Members
of the Cabinet - The East Room. **

3:00

Interview with Mr. Frank Cormier and Miss
Helen Thomas. (Mr. Jody Powell) ***
The Library - The Residence.

* ATTACHED ARE JODY POWELL'S TALKING POINTS FOR
MONDALE SEND-OFF.

** ATTACHED IS JACK WATSON'S FORMAT FOR CABINET
SWEARING-IN.

*** ATTACHED IS BACKGROUND INFORMATION ON INTERVIEW
WITH CORMIER/THOMAS.
INCLUDED, AS WELL, INFORMATION ON CHURCH SERVICE.

THE WHITE HOUSE
WASHINGTON

January 22, 1977

*Tim -
Sunday School
one hour earlier
J*

MEMORANDUM FOR THE PRESIDENT AND FIRST LADY

FROM: TIM KRAFT

SUBJECT: Church Services at First Baptist
Church - Sunday - January 23, 1977

In order to attend the 11:00 a.m. services at the First Baptist Church at 16th and O Streets, N.W., you and the First Lady will depart the South Grounds via motorcade at 10:50 a.m.

Dr. Charles A. Trentham, Pastor, will greet you inside the Church door upon your arrival. Mr. Ivan Conklin, head usher, will then escort you to your seats.

THE WHITE HOUSE

WASHINGTON

January 23, 1977

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: CHARLES SCHULTZE
FROM: RICK HUTCHESON
SUBJECT: Proposed Economic Stimulus Package

The attached memorandum prepared by Jack Watson was returned in the President's outbox with the request that you see him briefly Monday.

Your attention is called to the notations made by the President on your memorandum of January 22nd on the subject of "Economic Recovery Program".

Tim Kraft will arrange the meeting.

bcc Stu Eizenstadt
Jack Watson

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

January 22, 1977

MEMORANDUM TO THE PRESIDENT

FROM: Charles Schultze C.S.

Attached is a memorandum which describes the unanimous recommendations of your Economic Policy Group with respect to the economic stimulus program. The last section (entitled "Anti-Inflation Policies") was added at the last minute by the CEA Chairman without time for clearance by the other members of the EPG. It was designed ~~by~~ signed simply to let you know that we are addressing the problem.



ELECTROSTATIC REPRODUCTION MADE FOR
PRESERVATION PURPOSES

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 22, 1977

*Schultze -
See me briefly
Mon.
J*

MEMORANDUM TO: THE PRESIDENT
FROM: JACK WATSON *gn*
SUBJECT: PROPOSED ECONOMIC STIMULUS PACKAGE

The attached memorandum to you from Charles Schultze constitutes the unanimous recommendation of Messrs. Schultze, Blumenthal, Marshall, Vance, Lance, Eizenstat, and Ms. Kreps.

If, after reading the proposal, you would like to meet with Charles Schultze and the others before the Cabinet meeting on Monday morning, I think a good time to do so would be tomorrow afternoon after the Cabinet swearing in. I have mentioned that possibility to Tim Kraft who said that you had a short background briefing with certain members of the press immediately following the swearing in ceremony, but that your schedule was free following that briefing.

I will deliver a proposed agenda for the Cabinet meeting tomorrow.

Attachment

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

January 22, 1977

MEMORANDUM TO THE PRESIDENT

From: The Economic Policy Group

Subject: Economic Recovery Program

The overall economic stimulus package that we recommend amounts to:

- . \$15.8 billion in FY 1977
- . \$15.7 billion in FY 1978

The resulting budget deficits, based on the economic outlook discussed later, are:

- . \$68 billion in FY 1977
- . \$59-63 billion in FY 1978 (depending on the outcome of the OMB discussions with your Cabinet, and your decisions about the 1978 budget).

The 1977 budget deficit is lower than our earlier estimates because tax collections are now running ahead of preliminary forecasts. The revenue estimates are consistent with those submitted in the Ford budget, after adjustment for our stimulus package.

I. Economic and Budgetary Results

Given the economic recovery package recommended below, we would expect the economic results shown below:

<u>Economic growth:</u>	4Q1976 - 4Q1977:	5.8 - 6.1%
(real GNP)	4Q1977 - 4Q1978:	5.5

<u>Unemployment rate:</u>	December 1976:	7.8%
	December 1977:	6.7 - 6.9
	December 1978:	6.0 - 6.2



ELECTROSTATIC REPRODUCTION MADE FOR
INFORMATION PURPOSES

MEMORANDUM TO THE PRESIDENT

January 22, 1977

Predicting the unemployment rate is particularly hazardous. It is our collective judgment that, with this stimulus package, the rate of unemployment is very unlikely to get below the 6.7 to 6.9 range by December. Indeed the lower end of that range is on the optimistic side.

We believe it is desirable to estimate results conservatively so as to avoid under-performance.

The 1977 results stem from a straight economic forecast. The 1978 results are more in the form of targets. Three critical economic variables must perform well in order to reach the 1978 target:

- . business investment in plant and equipment (adjusted for inflation) begin to pick up steam -- rising by 8-1/2 percent in 1977 and by 12 percent in 1978;
- . exports must rise rapidly in 1978; if Germany and Japan stimulate their own economies, we could reach the target;
- . housing starts must get up into the 2.0 to 2.1 million range; the problem is not so much getting there but holding them near that level into 1978, as money begins to get tighter.

The targets are ambitious but feasible. Achieving them requires some good breaks and the cooperation of the Fed. We shall have to monitor performance closely. If we appear to be falling short, other economic actions may then become necessary in late 1977 or early 1978, and we should so indicate in presenting this package to the public.

II. Components of the Program

1. Rebate on 1976 taxes:

We propose a \$50 tax rebate per taxpayer and dependents.

ISSUE: The basic problem is what to do about those (principally lower income groups) who have no tax liability, and hence would receive no rebate.

MEMORANDUM TO THE PRESIDENT

January 22, 1977

Our recommendations go as far as possible to insure that every eligible person for whom the U.S. government has either a tax file or a social security file gets the rebate, regardless of tax liability. We go well beyond the 1975 rebate in this regard. We recommend:

- a. \$50 per taxpayer and dependents up to the limit of tax liability;
- b. \$50 per person to social security and SSI recipients (there would be some unavoidable double payments since some social security recipients also have tax liabilities);
- c. \$50 per person to every family with children who have no tax liability, but who have filed for the existing earned income credit.

This approach leaves out two groups: first, low income non-aged single persons and childless couples, who are not eligible for the earned income credit; second, those who were eligible for the earned income credit but did not file (many people do not claim the credit simply because they do not want to file income tax forms).

A very rough estimate suggests that 8 million people might not receive rebates -- about half because they didn't file a tax return and half because they were ineligible for the earned income credit (singles and childless couples).

To cover those left out by the above approach would require: (a) providing forms for people to certify that they were not eligible under other provisions of the rebate law; and (b) matching IRS and social security data files to check for cheating. About \$200 to \$300 million of additional rebates are involved at a heavy administrative cost. (Perhaps \$100 million.) With differing degrees of reluctance, all members of the Economic Policy Group agree that the gains are not worth the costs. *J. G. [signature]*

MEMORANDUM TO THE PRESIDENT

January 22, 1977

2. A \$4 billion tax simplification and reform measure.

We all agree that the proposal to raise the minimum standard deduction to the maximum (for couples the minimum is now \$2,100 and the maximum is \$2,800) should be included in the package. ok

3. A business-oriented tax cut

We have come up with a way to provide both a credit against payroll tax and an increase in the investment credit. We unanimously recommend the following proposal:

Each firm would be given an option; it could choose -

either, a credit against income taxes equal to 4% of employer payroll taxes,

or, a 2% increase in the investment credit (generally from 10 to 12 percent).

For how long - Business too much for 7478 & beyond?

Firms would have to make a binding election -- they couldn't switch back and forth. Firms that are labor intensive, and whose investment outlays are small compared to their payroll, will choose the first option; firms whose investment outlays are large compared to their payroll would choose the second option.

Providing the twofold option would cost about \$2.5 billion in FY 1978.

4. Counter-cyclical revenue sharing.

We all agree that the current \$1.25 billion per year counter-cyclical revenue sharing be increased to a rate of \$2.25 billion per year, starting at mid-year. The formula would be adjusted so that \$2.25 billion would be paid out when the unemployment rate was 7-1/2 percent; as unemployment fell the funds would be decreased, then phased out completely as unemployment fell below 6 percent.

*Nat
avg or
local?*

We also recommend that the program be authorized on a four year basis, and therefore automatically come into play should another recession occur. The current program provides funds for individual communities whose unemployment

*Let
Pres
auth.
if
criteria met.*

MEMORANDUM TO THE PRESIDENT

January 22, 1977

rate exceeds 4-1/2 percent. We considered a change in this "trigger" to 6 percent, but rejected the idea since only 5 percent of the funds now go to areas with less than 6 percent unemployment. Why take on the political problems for so little gain?

5. Public Service employment and other Labor Department programs.

The Economic Policy Group all agree on the main elements of the program Secretary Marshall presented to you in Plains. (Some details may have to be worked out between Secretary Marshall and the OMB Director). It's chief components are:

- . expand public service employment from the current 310,000 jobs to 600,000 in FY 1977 and to 725,000 in FY 1978;
- . expand other training and youth programs under CETA by 208,000 "slots" in FY 1977 and an additional 138,000 "slots" in FY 1978; this would include, among other elements, a doubling of the Job Corps, a new Youth Employment Services program, and an industrial retraining and employment program in private industry (your recently announced veterans' program is included in this package).

ok

6. Public Works.

We are all agreed upon the following package of actions;

- . an immediate \$4 billion authorization for additional emergency public works; we would try to change the current inequitable 70/30 allocation formula (which puts too many projects into low unemployment areas) to something like 85/15 in the new authorization;
- . a \$2 billion supplemental appropriation for FY 1977; Secretary Kreps would revise the regulations to eliminate the most glaring problems, but would proceed to use this \$2 billion rapidly;

ok - push hard for this.

ok - within law. Kreps lean toward high unemp. areas

MEMORANDUM TO THE PRESIDENT

January 22, 1977

- another \$2 billion appropriation would be requested for FY 1978; since these funds would not be available until October 1977, Secretary Kreps would have time for a full-scale review of the regulations as applied to this second \$2 billion.

7. Housing

Secretary Harris does not believe that housing should be treated as a counter-cyclical program. We should have a long term steady housing program. Secretary Harris, however, is submitting to OMB Director Lance a proposal to step up the program for subsidized housing. Although some 1977 appropriations and some immediate HUD actions would be required, the effect on new housing construction would not come until 1978.

While it would make good political sense to mention a stepped-up housing program as part of the stimulus package, the specific details of Secretary Harris' proposal still have to be worked out with OMB.

We therefore recommend that a general statement be included in the economic stimulus message, promising an increase in the subsidized housing program, but avoiding details for the time being.

ok

III. Summary of Budget Costs

	<u>FY 1977</u>	<u>FY 1978</u>	
Increase counter-cyclical revenue sharing	0.3	1.0	— <i>? net effect?</i>
Public service employment	0.7	3.6	— <i>ok</i>
Youth/skill training in CETA	0.3	1.6	— <i>ok</i>
Public works (\$4 billion authorized)	0.2	1.5	— <i>ok</i>
Tax reform and simplification	1.3	5.5	— <i>ok</i>
Business-oriented tax reduction	1.1	2.5	— <i>? Bus/Pers ratio</i>
Tax rebate <u>1/</u>	11.9	0	— <i>? -ok</i>
Total	<u>15.8</u>	<u>15.7</u>	

1/ Some of the tax rebate (payments to social security recipients and refundable rebates) will be classified in the budget as expenditure increases, not as tax reductions.

MEMORANDUM TO THE PRESIDENT

January 22, 1977

IV. Caveat

The extremely cold weather in the country is having depressing economic effects of three kinds:

1. Consumers use more fuel and pay more for natural gas under emergency sales. These extra expenditures create no additional employment but leave less for other uses. This depresses consumer sales and output. The cold weather, in effect, levies an excise tax on consumers.
2. Possible sharp reductions in citrus fruit and tomato harvests raise consumer prices with the same effect.
3. Shortages of natural gas and difficulties in barge transport of fuel is already shutting down factories.

The CEA staff has made a very rough stab at calculating impact #1. If the abnormal cold lasts from December through March, consumers could be out-of-pocket by several billion dollars.

We are beginning to try an assessment of item #2 and item #3.

In any event, it is possible that our economic forecasts could fall short because of cold weather. We shall have to watch this carefully. It is at least conceivable that when the tax rebate has gotten to the Senate Finance Committee, we may want to suggest an increase. 2

Finally, the specific costs of the particular programs have been worked out as best we could on short notice. We expect no major modifications as the staff work is refined, but some minor revisions may occur. Similarly, the overall deficit figures could change a bit as we get final estimates.

CONTAINING INFORMATION THAT IS UNCLASSIFIED
DATE 11-11-2001 BY 1045

MEMORANDUM TO THE PRESIDENT

January 22, 1977

V. Anti-Inflation Policies

A two-phase approach can be mounted:

1. An immediate brief statement to be included in your economic message, which is fairly general and stresses:

- a. the prudent and non-inflationary character of the current stimulus; ✓
- b. our intentions to beef up the existing Council on Wage and Price Stability; ✓
- c. our intentions of developing, in consultation with business and labor, voluntary approaches to responsible wage and price behavior; ✓
- d. the role of manpower training and related programs in tackling the supply side of the inflation problem, ✓

2. The development, over the next three to four months, of a full-blown program to fulfill items b. and c. ✓

THE WHITE HOUSE
WASHINGTON

TRUDY -
NOTE SPELLING OF
EIZENSTAT

Rich

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

January 23, 1977

ADMINISTRATIVELY CONFIDENTIAL

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*Schultze -
See me briefly,
Mon.
J*

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MEMORANDUM TO THE PRESIDENT

January 22, 1977

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January 22, 1977

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For how long - Business too much for 7478 & beyond?

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Let Pres auth. if criteria met.

MEMORANDUM TO THE PRESIDENT

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Public works (\$4 billion authorized)	0.2	1.5	— <i>ok</i>
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Business-oriented tax reduction	1.1	2.5	— ? <i>Bus/Pers ratio</i>
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Total	<u>15.8</u>	<u>15.7</u>	

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January 22, 1977

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- c. our intentions of developing, in consultation with business and labor, voluntary approaches to responsible wage and price behavior; ✓
- d. the role of manpower training and related programs in tackling the supply side of the inflation problem; ✓

2. The development, over the next three to four months, ✓
of a full-blown program to fulfill items b. and c.

THE WHITE HOUSE
WASHINGTON

January 23, 1977

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: BOB LIPSHUTZ
FROM: RICK HUTCHESON
SUBJECT: Secret Service Protection for President's
Grandson Jason

The President reviewed your memorandum of January 22 on the above subject and approved your signing the proposed letter to the Secretary of the Treasury requesting Secret Service protection for his grandson Jason Carter.

Please follow up with appropriate action.

cc: Robert Linder

THE WHITE HOUSE
WASHINGTON

January 22, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ

Attached for your consideration is a letter to Secretary of the Treasury Blumenthal directing that Secret Service protection be provided for your grandson Jason Carter.

If you approve, I shall sign the letter on your behalf and send it to the Secretary.

Approve ✓ Disapprove

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THE WHITE HOUSE
WASHINGTON

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THE WHITE HOUSE
WASHINGTON

January 23, 1977

Dear Mr. Secretary:

In behalf of the President, I hereby direct protection be provided, within the powers and duties of the United States Secret Service, for Jason Carter, the grandson of President Jimmy Carter, from this date until further notice.

Sincerely,

Robert Lipshutz
Counsel to the President

The Honorable W. Michael Blumenthal
Secretary of the Treasury
Washington, D.C. 20023

cc: The Director, United States Secret Service
The Attorney General

THE WHITE HOUSE
WASHINGTON

January 22, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ

Attached for your consideration is a letter to Secretary of the Treasury Blumenthal directing that Secret Service protection be provided for your grandson Jason Carter.

If you approve, I shall sign the letter on your behalf and send it to the Secretary.

Approve _____ Disapprove _____